

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Carlton Township	County Barry
Fiscal Year End 6-30-06	Opinion Date 9-14-06	Date Audit Report Submitted to State 10-31-06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

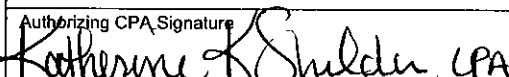
YES
X
NO
N

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Walker, Fluke & Sheldon, PLC		Telephone Number 269-945-9452		
Street Address 525 W Apple St		City Hastings	State MI	Zip 49058
Authorizing CPA Signature 		Printed Name Katherine Sheldon, CPA		License Number 1101023575

CARLTON TOWNSHIP FINANCIAL STATEMENTS

For the year ended June 30, 2006

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WALKER, FLUKE & SHELDON, PLC
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INDEPENDENT AUDITORS' REPORT

To the Township Board
Carlton Township
Barry County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Carlton Township, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Carlton Township, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Carlton Township, Michigan, as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management discussion and analysis and required supplementary information listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Carlton Township's basic financial statements. The accompanying additional supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements of Carlton Township, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Hastings, Michigan
September 14, 2006

Walker, Fluke & Sheldon, PLC

Carlton Township Management Discussion and Analysis

As the Township Board of Carlton Township, we offer readers of the township's financial statements this narrative overview and analysis of the financial activities of Carlton Township for the fiscal year ended June 30, 2006. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Township. We encourage readers to consider this information in conjunction with the letter or transmittal, which begins on page 1, and the financial statements, which begin on page 7.

Financial Highlights

- The assets of Carlton Township exceeded its liabilities at the close of the most recent fiscal year by \$748,999 (net assets) compared to \$728,548 last year. Of this amount, \$587,114 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$20,451 compared to a decrease of \$1,428 last year.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$549,226, an increase of \$17,467 compared to an ending fund balance of \$531,759, a decrease of \$31,686 from the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$468,764, or 178% of total general fund expenditures. In 2005, the unreserved fund balance for the general fund was \$449,032, or 147% of the total general fund expenditures. This demonstrates the Township's fiscal discipline and places the Township in a strong financial position to meet unexpected emergencies, uncertainties at the State level or the general slowdown of the economy.

Overview of the Financial Statements

Carlton Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The statement of activities presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., state shared revenue).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, highways and streets, recreation and cultural and health and welfare.

The government-wide financial statements can be found on pages 7-8 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Carlton Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: government funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Carlton Township maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Fire Fund, which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 9-12 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs.

The basic fiduciary fund financial statements can be found on pages 13-14 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 15-22 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The Township adopts an annual budget for its general fund and fire fund. Within the required supplementary information, a budget comparison statement has been provided for these funds to demonstrate compliance with the budget.

Required supplementary information can be found on pages 23-25 of this report.

Individual fund statements and schedules are presented immediately following the required supplementary information on budgets on pages 26-30.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Carlton Township, assets exceeded liabilities by \$748,999 at the close of the most recent fiscal year compared to \$728,548 last year.

By far the most significant portion of the Township's net assets (78.4 percent) reflects its unrestricted net assets (\$587,114), which may be used to meet the government's ongoing obligations to citizens and creditors. An additional portion of the Township's net assets (10.7 percent) reflects restricted net assets

(\$80,462), which are resources that are subject to external restrictions on how they may be used. The remaining portion (\$81,423) of the Township's net assets (10.9 percent) reflects its investment in capital assets (e.g. land, buildings, equipment and furniture and fixtures). The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Carlton Township's Condensed Financial Data

	Governmental Activities 6/30/2006	Governmental Activities 6/30/2005
Current and Other Assets	\$ 694,479	\$ 676,860
Capital Assets	<u>81,423</u>	<u>78,274</u>
Total Assets	<u>775,902</u>	<u>755,134</u>
Long-Term Liabilities	-	-
Other Liabilities	<u>26,903</u>	<u>26,586</u>
Total Liabilities	<u>26,903</u>	<u>26,586</u>
Net Assets:		
Invested in Capital Assets, Net of related debt	81,423	78,274
Restricted for Fire	72,806	74,453
Restricted for Special Assessment	7,656	8,274
Unrestricted	<u>587,114</u>	<u>567,547</u>
Total Net Assets	<u>\$ 748,999</u>	<u>\$ 728,548</u>
Program Revenues		
Charges for Services	\$ 11,750	\$ 12,918
Capital Grants	6,792	-
General Revenues		
Taxes and Penalties	159,027	152,900
State Grants	163,577	165,132
Interest and Rentals	18,941	11,620
Other	6,312	3,310
Gain on Trade-In of Capital Assets	-	345
Gain on Equity Interest in Joint Venture	<u>435</u>	<u>34,531</u>
Total Revenues	<u>366,834</u>	<u>380,756</u>
Program Expenses		
Legislative	6,488	5,957
General Government	111,241	114,009
Public Safety	92,198	80,358
Public Works	128,633	175,955
Recreational and Cultural	1,200	-
Health and Welfare	2,000	2,000
Other	4,424	3,905
Loss on Trade-In of Capital Assets	<u>199</u>	<u>-</u>
Total Expenses	<u>346,383</u>	<u>382,184</u>
Change in Net Assets	<u>\$ 20,451</u>	<u>\$ (1,428)</u>

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

Governmental activities. Governmental activities increased the Township's net assets by \$20,451 mainly due to decreased spending on road projects.

Expenses were down compared with prior year. General government and public works decreased due to less road projects and controlled spending. Public safety was up due to an increase in fire contracts.

Financial Analysis of the Township's Funds

As noted earlier, the Township used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Township's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$549,226, an increase of \$17,467 in comparison with the prior year. Last year, the Township's governmental funds combined ending fund balance was \$531,759, which was a decrease of \$31,686 from the prior year.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$468,764. Unreserved fund balance represents 178% of the total general fund expenditures. In the prior year, the unreserved fund balance was \$449,032, which represented 147% of the total general fund expenditures.

The fund balance of the Township's general fund increased by \$19,114 during the current fiscal year, compared to a decrease of \$37,167 in the prior year. This is mainly due to less road projects.

General Fund Budgetary Highlights

Differences between the original budget and the final amended general fund budget (\$15,411 increase in appropriations) can be summarized with the following increases:

- \$1,376 increase to general government
- \$14,035 increase to public works

The majority of budget amendments were due to public works, capital outlay and general government. This was due to the fact the Township had numerous road projects completed throughout the year, purchased a new mower and general inflationary increases for services.

Revenues exceeded budgetary estimates, and expenditures were less than budgetary estimates during the current year.

Capital Assets

The Township's investment in capital assets for its governmental activities as of June 30, 2006, amounts to \$81,423 (net of accumulated depreciation). This investment in capital assets includes: land, buildings, improvements, equipment and furniture and fixtures.

Major capital asset events during the current fiscal year included a new voting machine, a new typewriter and a new cemetery lawnmower. Details of the Township's capital assets are continued in the notes to financial statements on page 21.

Economic Factors and Next Year's Budgets and Rates

Budget assumptions: The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues. State shared revenues are expected to decrease in the 2006-2007 fiscal year. The Township budgeted for a decrease in state-shared revenue. The Township's millage rate will remain the same. The taxable value will increase, thus bringing in more tax revenue. The Township has planned for the same amount of road projects for this next year. The Township has created a more consistent pattern with road projects instead of having large fluctuations every other year. In the upcoming year, the township will be starting a special assessment district for weed control on Leach Lake. The township is currently looking into a proposed sewer system for Middle, Lower and Leach Lake residents. A survey was sent out to get property owners opinions along these lakes regarding this. The survey will be examined in the next few months to see if there is enough interest to look into this proposed project further. If interest is there, the Township will need to expend money to estimate costs of the project. These factors were considered in preparing the Township's budget for the 2006-2007 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of Carlton Township's finances for all those with an interest in the township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the (Supervisor/Treasurer/Clerk), Carlton Township, 85 Welcome Rd, Hastings, MI 49058. 269-945-5990

CARLTON TOWNSHIP
GOVERNMENT WIDE STATEMENT OF NET ASSETS
June 30, 2006

	<u>Primary Government</u>	
	Governmental	
ASSETS	Activities	Total
Cash and Cash Equivalents	\$ 183,885	\$ 183,885
Investments	273,498	273,498
Due From State	29,147	29,147
Due From Other Funds	9,137	9,137
Restricted Assets	80,462	80,462
Investment in Joint Venture	118,350	118,350
Capital Assets (Net of Accumulated Depreciation)	<u>81,423</u>	<u>81,423</u>
Total Assets	<u>775,902</u>	<u>775,902</u>
LIABILITIES		
Liabilities		
Accounts Payable	21,129	21,129
Accrued Liabilities	<u>5,774</u>	<u>5,774</u>
Total Liabilities	<u>26,903</u>	<u>26,903</u>
NET ASSETS		
Net Assets		
Invested in Capital Assets, Net of Related Debt	81,423	81,423
Restricted for Fire	72,806	72,806
Restricted for Special Assesment	7,656	7,656
Unrestricted	<u>587,114</u>	<u>587,114</u>
Total Net Assets	<u>\$ 748,999</u>	<u>\$ 748,999</u>

The Notes to Financial Statements are an integral part of this statement.

CARLTON TOWNSHIP
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
June 30, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Capital Grants	Primary Government Governmental Activities	Total
Primary Government					
Governmental Activities					
Legislative	\$ 6,488	\$ -	\$ -	\$ (6,488)	\$ (6,488)
General Government	111,241	350	6,792	(104,099)	(104,099)
Public Safety	92,198	-	-	(92,198)	(92,198)
Public Works	128,633	11,400	-	(117,233)	(117,233)
Recreation and Cultural	1,200	-	-	(1,200)	(1,200)
Health and Welfare	2,000	-	-	(2,000)	(2,000)
Other	4,424	-	-	(4,424)	(4,424)
Total Governmental Activities	<u>346,184</u>	<u>11,750</u>	<u>6,792</u>	<u>(327,642)</u>	<u>(327,642)</u>
Total Primary Government	<u>\$ 346,184</u>	<u>\$ 11,750</u>	<u>\$ 6,792</u>	<u>(327,642)</u>	<u>(327,642)</u>
General Revenues					
Taxes and Penalties				159,027	159,027
State Grants				163,577	163,577
Interest and Rentals				18,941	18,941
Other Revenue				<u>6,312</u>	<u>6,312</u>
Total General Revenues				<u>347,857</u>	<u>347,857</u>
Loss on Trade-In of Capital Asset				(199)	(199)
Gain on Equity Interest in Joint Venture				<u>435</u>	<u>435</u>
Change in Net Assets				20,451	20,451
Net Assets-Beginning				<u>728,548</u>	<u>728,548</u>
Net Assets-Ending				<u>\$ 748,999</u>	<u>\$ 748,999</u>

The Notes to Financial Statements are an integral part of this statement.

CARLTON TOWNSHIP
GOVERNMENTAL FUND BALANCE SHEET
June 30, 2006

		Fire	Total
ASSETS	General	Fund	Governmental
			Funds
Cash and Cash Equivalents	\$ 191,541	\$ 22,828	\$ 214,369
Investments	273,498	49,978	323,476
Due From State	29,147	-	29,147
Due From Other Funds	<u>9,137</u>	<u>-</u>	<u>9,137</u>
 Total Assets	 <u>\$ 503,323</u>	 <u>\$ 72,806</u>	 <u>\$ 576,129</u>
 LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	\$ 21,129	\$ -	\$ 21,129
Accrued Liabilities	<u>5,774</u>	<u>-</u>	<u>5,774</u>
 Total Liabilities	 <u>26,903</u>	 <u>-</u>	 <u>26,903</u>
 Fund Balances			
Unreserved-Undesignated	468,764	72,806	541,570
Reserved-Weed	7,656	-	7,656
Designated	<u>-</u>	<u>-</u>	<u>-</u>
 Total Fund Balances	 <u>476,420</u>	 <u>72,806</u>	 <u>549,226</u>
 Total Liabilities and Fund Balance	 <u>\$ 503,323</u>	 <u>\$ 72,806</u>	 <u>\$ 576,129</u>

The Notes to Financial Statements are an integral part of this statement.

CARLTON TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2006

Fund Balances-Total Governmental Funds	\$ 549,226
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds

Governmental capital assets	\$ 147,873	
Less: Accumulated Depreciation	<u>66,450</u>	81,423

The Township has an equity interest in a joint venture. This investment is not a current financial resource and therefore is not reported in the governmental funds	<u>118,350</u>
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Net Assets of Governmental Activities	<u>\$ 748,999</u>
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The Notes to Financial Statements are an integral part of this statement.

CARLTON TOWNSHIP
GOVERNMENTAL FUND STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2006

	<u>General</u>	<u>Fire Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes and Penalties	\$ 71,358	\$ 88,269	\$ 159,627
State Grants	170,369	-	170,369
Charges for Services	350	-	350
Interest and Rents	16,659	2,282	18,941
Other Revenue	<u>17,712</u>	<u>-</u>	<u>17,712</u>
Total Revenues	<u>276,448</u>	<u>90,551</u>	<u>366,999</u>
Expenditures			
Current			
Legislative	6,488	-	6,488
General Government	106,298	-	106,298
Public Safety	-	92,198	92,198
Public Works	128,633	-	128,633
Recreation and Cultural	1,200	-	1,200
Health and Welfare	2,000	-	2,000
Other	4,424	-	4,424
Capital Outlay	<u>15,058</u>	<u>-</u>	<u>15,058</u>
Total Expenditures	<u>264,101</u>	<u>92,198</u>	<u>356,299</u>
Excess of Revenues Over (Under) Expenditures	<u>12,347</u>	<u>(1,647)</u>	<u>10,700</u>
Other Financing Sources (Uses)			
Proceeds from Trade-In of Fixed Assets	<u>6,767</u>	<u>-</u>	<u>6,767</u>
Total Other Financing Sources (Uses)	<u>6,767</u>	<u>-</u>	<u>6,767</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	19,114	(1,647)	17,467
Fund Balance-July 1, 2005	<u>457,306</u>	<u>74,453</u>	<u>531,759</u>
Fund Balance-June 30, 2006	<u>\$ 476,420</u>	<u>\$ 72,806</u>	<u>\$ 549,226</u>

The Notes to Financial Statements are an integral part of this statement.

CARLTON TOWNSHIP
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds		\$ 17,467
Net changes in revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds		(600)
Governmental funds do not report gains or losses on equity interests in a joint venture. Equity interest in joint venture increased by this amount this year		435
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:		
Expenditures for capital assets	\$ 15,058	
Less: Current year depreciation	4,943	
Less: Proceeds from Trade-In of Capital Asset	6,767	
Less: Loss from Trade-In of Capital Asset	<u>199</u>	<u>3,149</u>
Change in Net Assets of Governmental Funds		<u><u>\$ 20,451</u></u>

The Notes to Financial Statements are an integral part of this statement.

CARLTON TOWNSHIP
FIDUCIARY FUNDS - STATEMENT OF NET ASSETS
June 30, 2006

ASSETS	Pension Trust	Trust and Agency
Cash and Cash Equivalents	\$ -	\$ 9,137
Investments-at Fair Value:		
Other Investments	<u>157,250</u>	<u>-</u>
Total Assets	<u>157,250</u>	<u>\$ 9,137</u>
LIABILITIES		
Liabilities		
Due to Other Funds	<u>\$ -</u>	<u>\$ 9,137</u>
Total Liabilities	<u>-</u>	<u>\$ 9,137</u>
NET ASSETS		
Held in Trust for Pension Benefits	<u>\$ 157,250</u>	

The Notes to Financial Statements are an integral part of this statement.

CARLTON TOWNSHIP
FIDUCIARY FUNDS - STATEMENT OF CHANGES IN NET ASSETS
For the Year Ended June 30, 2006

	<u>Pension Trust</u>
Additions	
Contributions	
Employer	\$ 13,148
 Total Contributions	 13,148
 Investment Income	
Interest and Dividends	<u>11,536</u>
 Total Additions	 <u>24,684</u>
 Deductions	
Administrative Expenses	<u>2,284</u>
 Total Deductions	 <u>2,284</u>
 Change in Net Assets	 22,400
 Net Assets-Beginning	 <u>134,850</u>
 Net Assets-Ending	 <u>\$ 157,250</u>

The Notes to Financial Statements are an integral part of this statement.

CARLTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Carlton Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Carlton Township:

In June 1999, the GASB issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations
- Financial statements prepared using full accrual accounting for all of the Township's activities

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements).

REPORTING ENTITY

Carlton Township is situated in Barry County north of the City of Hastings. The Township operates under an elected board of five members and provides services to residents in many areas including fire protection, library and general government services. Education services are provided to citizens through several local school districts, which are separate governmental entities. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Township, there are no component units to be included in these financial statements.

JOINT VENTURES

Fire Department

The Township, together with the Townships of Baltimore, Irving, Rutland and Hastings has established a joint fire department under the provisions of Public Act 33 of 1951 and Public Act 7 of 1967. The department is known as the BIRCH FIRE DEPARTMENT. The organizational agreement provides that financing of the Department's activities will be as follows:

"Each Township shall pay an amount of money equal to an agreed millage rate which shall be the same for all Townships, determined as if said millage rate was spread upon the tax roll in each Township or area of each Township served by the department. The amount of the millage shall be determined annually by the Board of Directors of BIRCH and shall be approved by each Township Board as part of the budget of BIRCH each year.

Once the millage has been determined and approved as provided above, the amount of money representing the millage in each Township can be raised by any means available to each township and does not have to be spread upon the tax roll as a 'special assessment'." Carlton Township levies an additional millage for fire protection.

The Township Board of each member Township appoints one elected official to the BIRCH Board of Directors. The BIRCH Board of Directors appoints one member at large from each member Township. The member at large must be a resident and property owner in the district served.

The equity ownership of each Township which is a part of BIRCH in each major piece of fire apparatus or equipment or any personal property having a value of more than \$1,000 is determined using the percentage contribution of each Township as compared with the total contribution of all Townships during the year in which said asset was purchased. Equipment, apparatus and personal property, which is owned by BIRCH but was bought for a sum less than \$1,000, shall give each Township an equity interest in said property equal to the then current percentage of contribution of each Township as compared with the total contributions of all Townships for the current year.

CARLTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fire Department (Continued)

Carlton Township's share of the cost of fire protection remitted to BIRCH for the year ended June 30, 2006 was \$38,077.

The following information summarizes the activity of the joint venture through June 30, 2005, the most recent complete financial statements available.

Total Assets	\$ 515,438	Total Revenues	\$ 342,066
Total Liabilities	\$ -	Total Expenditures	\$ 363,840
Total Net Assets	\$ 515,438	Increase (Decrease) in Net Assets	\$ (21,774)
Total Capital Assets Net of Accumulated Depreciation	\$ 356,067		
Total Joint Venture Outstanding Debt	\$ -		

Complete financial statements for BIRCH Fire Department can be obtained as from:

Shirley Drake, Treasurer
9938 S. M-37 Hwy
Dowling, MI 49050

Carlton Township's total equity share in BIRCH Rural Fire Department is \$118,350 of which \$86,476 represents their equity interest in the fixed assets.

BIRCH Fire Department covers approximately 50% of Carlton Township. The Township contracts with the Woodland Fire Department and the Freeport Rural Fire Department on an annual basis for fire coverage on the remainder of Carlton Township.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues, and are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**CARLTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2006**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION
(Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual; therefore, they have been recognized as revenue in the current fiscal period. All other revenues are considered to be measurable only when the Township receives cash.

Taxes Receivable - The Township property tax is levied on each December 1st based on the taxable valuation of property located in the Township as of the preceding December 31st. These taxes are due on February 28th. After that date, they are added to the county delinquent tax rolls.

Although the Township ad valorem tax is levied and collectible on February 1st, it is the Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2005 State taxable valuation of the Township totaled \$59,472,172 on which ad valorem taxes levied consisted of .9154 mills for Township operating purposes and 1.4818 mills for fire protection, raising \$54,451 for operating and \$88,269 for fire protection. Current and delinquent property taxes collected prior to June 30 are recognized in the General Fund and Special Revenue Fund financial statements respectively.

The Township reports the following major governmental funds:

- The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Fire Fund is the Township's fund for fire protection. It accounts for the resources of fire millage revenues that are restricted for use on fire protection.

Additionally, the government reports the following fund types:

- The Pension Trust Fund accounts for the activities of the boards retirement system, which accumulates resources for pension benefit payments to qualified employees.
- The Trust and Agency Fund accounts for the assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

CARLTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)

Receivables and Payables (Continued) - All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st based on the taxable valuation of property located in the Township as of the preceding December 31st. These taxes are due on February 28th. After that date, they are added to the county 's delinquent tax rolls.

The delinquent real property taxes of the Township are purchased by Barry County.

Restricted Assets - The Township has restricted assets for fire and special assessment resources for weed control. By restricting a portion of the fund balance for a specific purpose, the Township has limited the use of the funds for that specific purpose only. The Township Board cannot change the amounts restricted and cannot spend the restricted funds for any other purpose than fire and special assessments.

Capital Assets - The Township defines Capital assets as assets with an initial cost of more than \$500 for furniture, and all other equipment and \$1,000 for buildings and all other improvements and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight- line basis over the following useful lives:

Buildings	40 years
Land Improvements	20 years
Furniture	10 years
Equipment	7 years
Data Processing Equipment	3 years

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. A special assessment for weed control is reported as reserved. Designations of fund balance represent tentative management plans that are subject to change. Carlton Township does not have any designations of fund balance.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. This basis is consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget was adopted for the general fund. An annual appropriated budget for expenditures was adopted for the fire fund, but not for revenues. The Township Boards prepares the annual budgets prior to June 30. A Public Hearing is conducted to obtain taxpayers' comments. The budget documents present information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

CARLTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2006

EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended June 30, 2006, the Township incurred expenditures in certain budgetary funds, which were in excess of the amounts appropriated, as follows:

<u>FUND</u>	<u>TOTAL APPROPRIATIONS</u>	<u>AMOUNT OF EXPENDITURES</u>	<u>BUDGET VARIANCE</u>
General			
General Government:			
Elections	\$ 5,425	\$ 8,688	\$ 3,263
Administration	\$ 17,100	\$ 17,792	\$ 692
Special Revenue			
Public Safety:			
Fire	\$ 89,590	\$ 92,198	\$ 2,608

ENCUMBRANCE ACCOUNTING

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed by Carlton Township.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township has designated three banks and two savings banks for the deposit of Carlton Township funds.

The Township retirement system's investments are held in trust by the investment fiduciary, John Hancock Life Insurance Company. Michigan Compiled Laws, Section 38.1132, authorizes the Township retirement system to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types depending on the size of the system.

The Township's deposits and investments are in accordance with statutory authority.

**CARLTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2006**

BALANCE SHEET-CASH AND INVESTMENTS (Continued)

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>FIDUCIARY FUNDS</u>	<u>TOTAL PRIMARY GOVERNMENT</u>
Cash and Cash Equivalents	\$ 183,885	\$ 9,137	\$ 193,022
Investments	273,498	157,250	430,748
Restricted Assets	<u>80,462</u>	<u>-</u>	<u>80,462</u>
Total	<u>\$ 537,845</u>	<u>\$ 166,387</u>	<u>\$ 704,232</u>

The breakdown between deposits and investments is:

	<u>TOTAL PRIMARY GOVERNMENT</u>
Cash and Cash Equivalents (Checking and Savings Accounts, Certificates of Deposit)	\$ 546,682
Investment in Securities (Mutual Funds and Similar Vehicles)	157,250
Petty Cash and Cash on Hand	<u>300</u>
Total	<u>\$ 704,232</u>

At June 30, 2006, the Township had deposits with a carrying amount of \$546,682 and a bank balance of \$519,544. Of the bank balance, \$413,076 is covered by federal depository insurance, \$106,468 is uninsured and \$0 is collateralized.

INTERFUND RECEIVABLES AND PAYABLES

The amounts of the interfund receivables and payables are as follows:

General	\$ <u>9,137</u>	Tax	\$ <u>9,137</u>
	<u>\$ 9,137</u>		<u>\$ 9,137</u>

The interfund receivable and payable represent tax money collected, not yet remitted to the Township General Fund.

CARLTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2006

CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 10,680	\$ -	\$ -	\$ 10,680
Subtotal	<u>10,680</u>	<u>-</u>	<u>-</u>	<u>10,680</u>
Capital Assets Being Depreciated				
Buildings	91,594	-	-	91,594
Land Improvements	9,871	-	-	9,871
Furniture	2,400	-	-	2,400
Equipment	20,935	14,509	7,710	27,734
Data Processing Equipment	<u>5,045</u>	<u>549</u>	<u>-</u>	<u>5,594</u>
Subtotal	129,845	15,058	7,710	137,193
Less Accumulated Depreciation for				
Buildings	45,426	1,371	-	46,797
Land Improvements	2,573	419	-	2,992
Furniture	2,160	-	-	2,160
Equipment	7,914	2,477	744	9,647
Data Processing Equipment	<u>4,178</u>	<u>676</u>	<u>-</u>	<u>4,854</u>
Subtotal	<u>62,251</u>	<u>4,943</u>	<u>744</u>	<u>66,450</u>
Net Capital Assets Being Depreciated	<u>67,594</u>	<u>10,115</u>	<u>6,966</u>	<u>70,743</u>
Governmental Activities Capital Total				
Capital Assets-Net of Depreciation	<u>\$ 78,274</u>	<u>\$ 10,115</u>	<u>\$ 6,966</u>	<u>\$ 81,423</u>

Depreciation expense was charged to programs as follows:

Governmental Activities	
General Government	<u>\$ 4,943</u>
Total Government Activities	<u>\$ 4,943</u>

CARLTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2006

EMPLOYEE'S RETIREMENT SYSTEM - DEFINED CONTRIBUTION PLAN

The Township contributes to a defined contribution pension plan for its eligible employees. John Hancock Life Insurance Company holds the participants' accounts in individual "guaranteed accounts".

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeiture of other participants' benefits that may be allocated to such participant's account. The pension plan is available to all elected officials of the Township and the Cemetery Sexton. Contributions by the Township vest immediately. The Township contributes 25% to the pension plan for the employees based on actual compensation. Voluntary employee contributions are not allowed.

During the year, the Township's required and actual contributions amounted to \$13,148, which was 24.75% of its current-year covered payroll of \$53,130. The total fiscal year payroll was \$57,593. No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township manages its risk exposure through a combination of risk management pools and commercial insurance. The Township has insurance provided by an independent insurance company for worker's compensation. Following is a summary of the risk management pool participation.

The Township participates in the Michigan Township Participating Plan (Par Plan) for property, general liability, and employee bond coverage. The Michigan Township Participating Plan was established in April 1985, pursuant to laws of the State of Michigan, which authorizes local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of the plan is to jointly exercise powers common to each participating member to establish and administer a risk management program; to prevent or lessen the incidence and severity of casualty losses occurring in the operation of its members; and to defend and protect any member of the authority against liability or loss.

The Michigan Township Participating Plan, while it operates under the Michigan Legislation of Public Act 138, does not operate as a risk pool due to a total transfer of risk to reinsurance companies backing the Par Plan. Due to this reinsurance purchase, there is no pooling of risk between members. The plan has protected itself in the event a reinsurance becomes uncollectible by purchasing a reinsurance treaty for uncollectible reinsurance.

The Par Plan chose to adopt the forms and endorsements of conventional insurance protection and to reinsure these coverages 100%, rather than utilize a risk pool of member funds to pay individual and collective losses up to a given retention, and then have reinsurance above that retention amount.

The individual members are responsible for their self-retention amounts (deductibles), which vary from member to member.

At June 30, 2006, there were no claims that exceeded insurance coverage. The Township had no significant reduction in insurance coverage from previous years.

CARLTON TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2006

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 457,306	\$ 457,306	\$ 457,306	\$ -
Resources (Inflows)				
Taxes and Penalties	75,153	75,153	71,358	(3,795)
Licenses and Permits	570	570	-	(570)
State Grants	160,000	160,000	170,369	10,369
Charges for Services	1,000	1,000	350	(650)
Interest and Rents	5,000	5,000	16,659	11,659
Other Revenue	<u>18,436</u>	<u>18,436</u>	<u>17,712</u>	<u>(724)</u>
Total Resources	<u>260,159</u>	<u>260,159</u>	<u>276,448</u>	<u>16,289</u>
Charges to Appropriations (Outflows)				
Legislative	6,731	6,731	6,488	243
General Government				
Supervisor	12,148	12,148	11,647	501
Elections	5,425	5,425	1,896	3,529
Assessor	13,932	13,932	13,932	-
Clerk	21,612	21,612	21,049	563
Board of Review	900	900	620	280
Treasurer	23,220	23,220	22,874	346
Township Hall	3,850	4,950	4,910	40
Cemetery	14,082	14,138	11,578	2,560
Administration	17,100	17,100	17,792	(692)
Public Works				
Highways	103,605	117,640	117,478	162
Special Assessment	12,068	12,068	11,155	913
Recreational and Cultural				
YMCA	1,200	1,200	1,200	-
Health and Welfare				
Green Gables	2,000	2,000	2,000	-
Other	5,000	5,000	4,424	576
Capital Outlay	<u>9,310</u>	<u>9,530</u>	<u>15,058</u>	<u>(5,528)</u>
Total Charges to Appropriations	<u>252,183</u>	<u>267,594</u>	<u>264,101</u>	<u>3,493</u>
Excess of Resources Over (Under) Appropriations	<u>7,976</u>	<u>(7,435)</u>	<u>12,347</u>	<u>19,782</u>

CARLTON TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2006

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Other Financing Sources (Uses)				
Proceeds from Trade-In of Capital Assets	<u>7,000</u>	<u>7,000</u>	<u>6,767</u>	<u>(233)</u>
Total Other Financing Sources (Uses)	<u>7,000</u>	<u>7,000</u>	<u>6,767</u>	<u>(233)</u>
Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses	<u>14,976</u>	<u>(435)</u>	<u>19,114</u>	<u>19,549</u>
Budgetary Fund Balance-June 30, 2005	<u>\$ 472,282</u>	<u>\$ 456,871</u>	<u>\$ 476,420</u>	<u>\$ 19,549</u>

CARLTON TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - FIRE FUND
For the Year Ended June 30, 2006

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 74,453	\$ 74,453	\$ 74,453	\$ -
Resources (Inflows)				
Taxes and Penalties	-	-	88,269	88,269
Interest and Rents	-	-	2,282	2,282
Total Resources	-	-	90,551	90,551
Charges to Appropriations (Outflows)				
Public Safety				
Fire	89,590	89,590	92,198	(2,608)
Total Charges to Appropriations	89,590	89,590	92,198	(2,608)
Excess of Resources Over (Under) Appropriations	(89,590)	(89,590)	(1,647)	87,943
Budgetary Fund Balance-June 30, 2005	\$ (15,137)	\$ (15,137)	\$ 72,806	\$ 87,943

CARLTON TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2006

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Revenues				
Taxes and Penalties:				
Property Taxes			\$ 49,772	
Delinquent Property Tax			4,679	
Collection Fees			16,601	
Trailer Park Fees			306	
Total Taxes and Penalties	\$ 75,153	\$ 75,153	<u>71,358</u>	\$ (3,795)
Licenses and Permits:				
Cable TV Fees			-	
Total Licenses and Permits	570	570	<u>-</u>	(570)
State Grants:				
State Revenue Sharing			160,007	
Other			10,362	
Total State Grants	160,000	160,000	<u>170,369</u>	10,369
Charges for Services:				
Sale of Cemetery Lots			350	
Total Charges for Services	1,000	1,000	<u>350</u>	(650)
Interest and Rentals:				
Interest			16,659	
Total Interest and Rentals	5,000	5,000	<u>16,659</u>	11,659
Other Revenue:				
Special Assessment			11,400	
Miscellaneous			5,711	
Refunds & Rebates			601	
Total Other Revenue	<u>18,436</u>	<u>18,436</u>	<u>17,712</u>	<u>(724)</u>
Total Revenues	<u>260,159</u>	<u>260,159</u>	<u>276,448</u>	<u>16,289</u>

CARLTON TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended June 30, 2006

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Expenditures				
Legislative:				
Township Board:				
Per Diem and Fees			3,810	
Pension			787	
Dues and Training			1,218	
Miscellaneous			<u>673</u>	
Total Legislative	<u>6,731</u>	<u>6,731</u>	<u>6,488</u>	<u>243</u>
General Government:				
Supervisor:				
Salary			8,795	
Pension			2,190	
Mileage			242	
Dues and Training			<u>420</u>	
Total Supervisor	12,148	12,148	<u>11,647</u>	501
Elections:				
Salaries			1,183	
Supplies			522	
Printing and Publishing			151	
Miscellaneous			40	
Capital Outlay			<u>6,792</u>	
Total Elections	5,425	5,425	<u>8,688</u>	(3,263)
Assessor:				
Contracted Services			<u>13,932</u>	
Total Assessor	13,932	13,932	<u>13,932</u>	-
Clerk:				
Salary			15,370	
Other Wages			1,550	
Pension			3,842	
Professional Fees			136	
Mileage			141	
Dues and Training			10	
Capital Outlay			<u>549</u>	
Total Clerk	23,112	23,112	<u>21,598</u>	1,514

CARLTON TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended June 30, 2006

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Expenditures (Continued)				
General Government (Continued):				
Board of Review:				
Wages			536	
Miscellaneous			<u>84</u>	
Total Board of Review	900	900	<u>620</u>	280
Treasurer:				
Salary			16,792	
Other Wages			1,046	
Pension			4,198	
Mileage			370	
Dues and Training			430	
Miscellaneous			<u>38</u>	
Total Treasurer	23,220	23,220	<u>22,874</u>	346
Township Hall:				
Utilities			3,196	
Repairs and Maintenance			1,372	
Janitorial Services			112	
Miscellaneous			<u>230</u>	
Total Township Hall	3,950	5,270	<u>4,910</u>	360
Cemetery:				
Salary			8,400	
Pension			2,100	
Supplies			898	
Miscellaneous			180	
Capital Outlay			<u>7,717</u>	
Total Cemetery	21,792	21,848	<u>19,295</u>	2,553

CARLTON TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended June 30, 2006

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Expenditures (Continued)				
Administration:				
Administration				
Postage			2,825	
Supplies			1,398	
Pension Administration			439	
Professional Fees			586	
Audit			4,375	
Computer Services			180	
Telephone			1,264	
Printing and Publishing			197	
Insurance and Bonds			5,564	
Repairs and Maintenance			221	
Miscellaneous			743	
Total Administration	<u>17,100</u>	<u>17,100</u>	<u>17,792</u>	<u>(692)</u>
Total General Government	<u>121,579</u>	<u>122,955</u>	<u>121,356</u>	<u>1,599</u>
Public Works:				
Highways:				
Repairs and Maintenance			117,478	
Total Highways	103,605	117,640	<u>117,478</u>	162
Special Assessment:				
Contracted Services			11,155	
Total Special Assessment	<u>12,068</u>	<u>12,068</u>	<u>11,155</u>	<u>913</u>
Total Public Works	<u>115,673</u>	<u>129,708</u>	<u>128,633</u>	<u>1,075</u>
Recreational and Cultural:				
YMCA:				
Contracted Services			1,200	
Total YMCA	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>	<u>-</u>
Total Recreational and Cultural	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>	<u>-</u>

CARLTON TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended June 30, 2006

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Health and Welfare:				
Green Gables:				
Contracted Services			<u>2,000</u>	
Total Green Gables	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Total Health and Welfare	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Other:				
FICA Contribution	<u>5,000</u>	<u>5,000</u>	<u>4,424</u>	<u>576</u>
Total Other	<u>5,000</u>	<u>5,000</u>	<u>4,424</u>	<u>576</u>
Total Expenditures	<u>252,183</u>	<u>267,594</u>	<u>264,101</u>	<u>3,493</u>
Excess of Revenues Over (Under)				
Expenditures	<u>7,976</u>	<u>(7,435)</u>	<u>12,347</u>	<u>19,782</u>
Other Financing Sources (Uses):				
Proceeds from Trade-In of				
Capital Assets	<u>7,000</u>	<u>7,000</u>	<u>6,767</u>	<u>(233)</u>
Total Other Financing Sources (Uses)	<u>7,000</u>	<u>7,000</u>	<u>6,767</u>	<u>(233)</u>
Excess of Revenues and Other Sources				
Over (Under) Expenditures				
and Other Uses	<u>14,976</u>	<u>(435)</u>	<u>19,114</u>	<u>19,549</u>
Fund Balance-July 1, 2005	<u>457,306</u>	<u>457,306</u>	<u>457,306</u>	<u>-</u>
Fund Balance-June 30, 2006	<u>\$ 472,282</u>	<u>\$ 456,871</u>	<u>\$ 476,420</u>	<u>\$ 19,549</u>



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September 14, 2006

To the Township Board
Carlton Township
Barry County, Michigan

We have recently completed an audit of the financial statements of Carlton Township, Barry County, Michigan for the year ended June 30, 2006. During the course of the audit, the following items came to our attention, which require further comment.

Budgeting

During the course of the audit, it was noted that the Township had not adopted a revenue budget for the fire fund and over expended in three areas during the fiscal year.

P.A. 621 of 1978 requires governmental units to prepare annual budgets containing an itemized statement for its proposed expenditures and estimated revenues, covering all its departments and activities for the general fund and all special revenue funds. The budget for revenue should be a detailed estimate of all anticipated income of the Township from major sources per the Uniform Chart of Accounts for Local Units of Government. The major revenue source classifications are taxes and penalties, licenses and permits, federal aid, state aid, intergovernmental revenue, charges for services, fines and forfeits, interest and rentals, and miscellaneous.

The Act also provides that a local unit should amend the expenditures budget when it appears that the budgeted revenues will be less than anticipated expenditures. In addition, Section 18 provides that a local unit shall not incur expenditures in excess of the amount appropriated.

It is our recommendation a fire revenue budget is adopted on an annual basis in accordance with the requirements of P.A. 621 of 1978. The Township should continue to monitor the budget against expenditures and make amendments as necessary. In addition, consideration should be taken at year-end for typical audit adjustments.

We would like to take this opportunity to thank the Carlton Township Clerk and Treasurer for the cooperation and courtesy extended to us during the audit. If you have any questions or need assistance, do not hesitate to contact us.

Walker, Fluke & Sheldon, PLC